

2005 Strategic Transmission Planning Issues

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Topics

- Thoughts on the corridor identification, designation and R/W Acquisition banking
- Comments on Identified Projects

- Collaboration between the State agencies, the CAISO, the transmission owners and the stakeholders => a more rational and efficient process in planning and implementing transmission plans
- PG&E welcomes the opportunity to review/comment on the CPUC Mitigation Compliance Matrix prior to finalization to ensure the adoption of feasible/practical measures

Some Suggestions

- Collaboration on:
 - ways to expedite the CEQA review process
 - better coordination of activities in general.
- Adequate consideration by one agency of other agency expertise/regulations
 - e.g., impose only those mitigating measures not already covered under other agency regulations
- NTP issuance staged to allow for differing completion times for tasks vs. having to wait until everything completed
- Corridor designation process should require the future siting agency to approve projects proposed to be constructed within CEC-designated corridors unless CEQA standards for re-opening previous environmental reviews have been met

Issues

- Transmission projects farther out in the future can benefit more from early corridor identification, but are also associated with greater uncertainty
- Legitimate changes in transmission and generation plans will lead to changes in identified and established corridors.
- PG&E is concerned about the impacts this early corridor identification/designation would have on property values and the “taking” issues
- Clear support from legislation and local agencies is essential before proceeding

Issues

- There are two broad types of transmission projects:
 - to accommodate new resources, reduce operating costs and provide operating flexibility
 - to supply customer load reliably
- There is uncertainty associated with both types of transmission projects
- More uncertainty with transmission projects to accommodate resources
 - no control over where, when and how much resource will develop

Transmission Plan Development

- A “big picture” approach
- Expand the study scope to include all credible coincidental new resources instead of one cluster at a time
- Transmission plans can flow from this process.

Corridor Identification – some suggested steps

- Keep the process manageable:
 - A simple approach
 - identify a few corridors that meet many of the potential needs instead of numerous corridors into every potential growth area
- There must be flexibility so that the corridors identified can be adjusted according to the new information

Corridor Identification – some suggested steps

- CEC develops a number of resource scenarios for the entire state (similar to the SVA)
- ISO/PTOs develop transmission plans to accommodate the resource scenarios through a Stakeholder process
 - Uncertainty can be reduced by selecting those transmission projects common to a number of credible scenarios
 - The transmission projects identified in more scenarios would be given higher priority
- The CEC tracks resource projection development and provides updates to the resource scenarios
- Incorporate the changes into the transmission corridor identification for the next cycle.

Corridor Designation – some thoughts

- The CEC proposed corridor designation process appears to require a determination of need and the preparation of a PEA.
- Because the costs associated with PEA preparation and the requirements of CEQA, the timing and criteria for such preparation are important
- While cost recovery is important to PG&E, the cost to customers and the impacts on the communities must be primary considerations.

Corridor Designation – some thoughts

- Transmission is under FERC jurisdiction, so we will also need to work with FERC
 - FERC rules => TOs cannot recover the costs of obtaining a permit until the associated project is operational.
 - Delay in recovery of these costs => disincentive in designating, acquiring and banking the transmission corridors.
 - State regulator support will be needed to recover these costs in the TO's FERC rates in advance of operation.

Land Acquisition and Banking

- We agree that in some cases early designation of corridors can help expedite the transmission siting process if future siting agency would approve projects proposed to be constructed within CEC-designated corridors
- The actual PURCHASE of the designated corridor ahead of actual need is both unnecessary in terms of expediting transmission siting and likely to waste significant amounts of ratepayer money

Web-based Corridor Siting Modeling Program

- While this program could be a useful tool, it cannot replace quality assessment on the ground
- For a transmission siting process to be effective and efficient, concerns of all parties must be identified and addressed
- There are practical limitations to incorporating all variables necessary for routing studies into a model
- Incomplete data and issues identification would lead to unnecessary delays

Summary on Suggestions on Process

- Take a big picture approach
- CEC - develop resource scenarios
- ISO/PTO - develop potential transmission plans
- Based on the resource scenarios and the potential transmission plans, identify and prioritize possible transmission corridors through a stakeholder process
- State and local agencies incorporate the potential corridors into the general plans
- Review the potential transmission corridors annually (?) and update as new resource scenarios are developed

Comments on Projects in the Draft Report

- *Project #1: Jefferson-Martin 230 kV line*
 - Making good progress, expect to be operational first half of 2006.
 - PG&E's plan is to shut down Hunters Point Power Plant (HPPP) in 2006 following the completion of this project.

Comments on Projects in the Draft Report

- *Project #2: San Francisco/Peninsula Long-Term (2011+) Upgrades*
- *Project #3: Trans-Bay DC Cable Project*
 - These 2 projects can be the same project depending on need and costs
 - Stakeholders and the CAISO are still evaluating the alternatives
 - A project is needed by 2012 at the earliest
 - Does not impact the planned shut down of HPPP, which is on track for 2006

Comments on Projects in the Draft Report

- *Project #5: Greater Fresno Area Projects*
 - Henrietta-Gregg Reconductoring Project has received CPUC approval. PG&E plans to begin construction in 2006.

Comments on Projects in the Draft Report

- ***Project #16: Tehachapi Area Renewable Interconnection***
 - We support the RPS targets and schedule, and will work to find the most cost efficient solutions to support the State-wide achievement of the goals.
 - Transmission needs will be based on actual RFO results, which are beyond the control of PG&E.
 - May or may not consist of a direct interconnection from Tehachapi north to the PG&E transmission network.
 - Identified problems north of Midway will need to first be resolved
 - Path 15 would reach limit before Path 26 in the South to North direction
 - A direct line from Tehachapi to Midway line is not needed until there is a need to schedule more than ~1,500 MW to Northern California.

Questions?